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CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Nehru conversations in Peiping apparently unproductive:

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[REDACTED] Indian newspapermen accompanying Prime Minister Nehru during his visit to China report that one of the subjects discussed was what the Chinese might do to change the present international "atmosphere of fear into one of mutual trust." Chou En-lai reportedly agreed on the need for avoiding tension, but said Peiping will not give up its claim to Formosa. At the same time, the Chinese Communists gave the impression that they will not move against Formosa now.

Nehru and the Chinese are said to agree that the Korean problem should be tackled afresh, and Chou reportedly suggested a conference of "neutral Asian nations" to do so. The Chinese also apparently want a collective declaration by such countries as China, India, Burma, Ceylon, and Indonesia proclaiming a "peace area," but Nehru is said to have replied unenthusiastically.

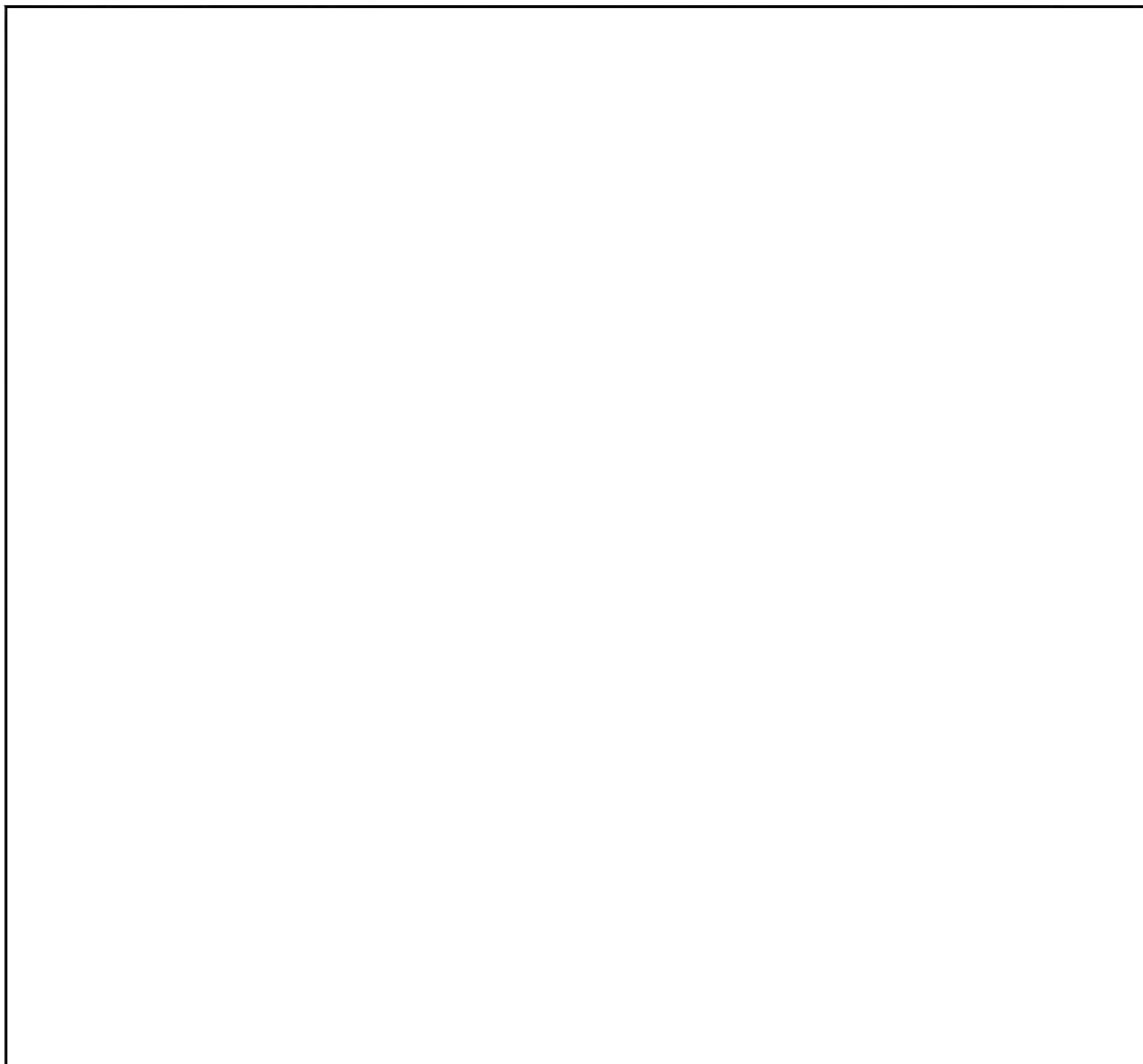
Comment: These reports support earlier indications that Nehru--who is about to leave Peiping--would be cautious in his approach to Communist leaders and would be unlikely to make serious commitments during his visit.

The reported Chinese attitude on Formosa is consistent with other indications that Peiping is determined to "liberate" the island but is not yet prepared to assault it, and in the meantime is seeking by diplomatic maneuvers to obtain wider support for its position. Chou has publicly called for a new Korean conference and for further informal agreements between Peiping and other Asian states similar to his nonaggression understandings with Nehru and the Burmese premier. [REDACTED]

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SOUTHEAST ASIA

3. French minister protests charge Paris has not supported Vietnamese premier:

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Guy La Chambre, French minister for the Associated States, denied to Ambassador Dillon on 25 October the American charge that Paris had not given full support

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to Vietnamese premier Ngo Dinh Diem. He asserted the United States seemed to be relying on this "inaccurate" charge as a pretext for breaking an agreement to establish formal French-American co-ordination on American aid to the Associated States.

La Chambre stressed the urgent need to form an "efficient" Vietnamese government. As possible participants in such a government, he mentioned Buu Hoi, although the latter's leftist tendencies "worried him"; ex-premier Tam, whose pro-French reputation he conceded; and Bay Vien, leader of the Binh Xuyen gangster organization, who "apparently was showing signs of wanting to reform."

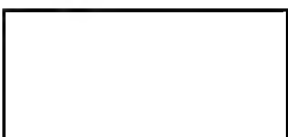
Comment: Deputy Commissioner General Daridan clearly indicated to an American official in Indochina as recently as last week that although his government might have officially agreed to support Diem, it had done so only in deference to American pressure. Daridan made it obvious that he shared the view of those French circles which believe Cochinchina might still be retained as a disguised protectorate.

La Chambre's remarks indicate that, far from supporting Diem, the French are still attempting to bring into the Vietnam government pro-French, left-wing or opportunist types whose activities could hardly fail to hamper the formation of a popular, anti-Communist government in South Vietnam.

SOUTH ASIA

4. Comment on postponement of Moslem League convention in Pakistan:

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The meeting of the Pakistani Moslem League's Working Committee which on 22 October postponed the party's convention from 31 October to an indefinite date "some time in January" was attended by members loyal to the governor general as well as by dissidents who participated in the 21 September "coup." This indicates that both sides saw the futility of holding a convention under present circumstances.

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The ruling Moslem League is moribund, both nationally and provincially, and it is unlikely to revitalize itself in the near future. The governor general stated on 24 October that national elections for a new constituent assembly would be scheduled as soon as possible. They are unlikely to be held soon, however, probably because the ruling clique recognizes its present inability to control their outcome.

Failure to hold these elections automatically delays work on the constitution, now seven years in the making. Oligarchic government in Pakistan therefore seems assured for the foreseeable future.

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NEAR EAST - AFRICA

5. Saudi-ARAMCO dispute over Onassis agreement may be "headed for arbitration":

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Ambassador Wadsworth in Jidda states that he and F. A. Davies, board chairman of ARAMCO, believe that the company's dispute with Saudi Arabia over the Onassis tanker agreement is "headed for arbitration."

King Saud has informed ARAMCO officials that he will approve any understanding the company reaches with Onassis, but that the agreement itself should not be canceled--there, his honor was at stake. Saud warned that if no understanding could be reached, he would not oppose "letting the matter go to a higher court."

Wadsworth adds that a subsequent meeting between Onassis and company officials tends to confirm ARAMCO's thinking that the company would invite continuing pressure from Onassis if it should make any concessions to him.

Comment: The king informed both Wadsworth and Davies on 24 August that he wished to get out from under the Onassis agreement.

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International arbitration is provided for in the Saudi-ARAMCO contract, but it is viewed by the company only as a last resort measure and would also result in a lengthy wrangle over the agreement.

WESTERN EUROPE

6. Comment on West German reaction to Saar agreement:

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Leaders of Chancellor Adenauer's Christian Democratic Party have told American officials in Berlin that the party's own simple majority in the

Bundestag will suffice to guarantee ratification of the Saar agreement with France. Moreover, the chancellor can also probably count on the votes of the German Party.

Dissatisfaction with the agreement among other parties in Adenauer's coalition will probably make it impossible to obtain the two-thirds vote in favor of ratification which would be necessary if the Constitutional Court declared the agreement a constitutional issue. The court, however, has the power to rule on the constitutionality of the agreement only if requested to do so by more than one third of the members of the Bundestag, and no such number of deputies will make such a request, Christian Democratic leaders are convinced.

Three parties oppose the agreement--the Social Democrats (SPD), the Free Democrats (FDP) and the Refugee Party (BHE). Together, they control well over one third of the seats in the Bundestag. Both the SPD and the FDP have announced, however, that they do not regard the Saar settlement as a constitutional issue. The FDP, indeed, will "cave in" and support the agreement when the chancellor brings pressure to bear, a high SPD official thinks. The BHE will probably be brought into line by concessions on domestic issues.

The Bundestag will probably vote on the agreement some time next March, in the opinion of a leading FDP deputy.

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Most West German newspapers express disappointment over the agreement. They admit, however, that Adenauer probably could not have done better--although on second thought they may adopt a more astringent tone toward the chancellor.

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